CILCO Ex. 2.0

PREPARED SURREBUTTAL TESTIMONY
OF
DEBORAH L. LANCASTER
ON BEHALF OF
CENTRAL ILLINOIS LIGHT COMPANY
DOCKET NOS. 00-0259,
00-0395, 00-0461 (Cons.)

Q1: Please state your name and business address.

A1: My name is Deborah L. Lancaster, and my business address is 300 Liberty Street, Peoria, Illinois 61602.

Q2: What is your current position at Central Illinois Light Company?

A2: I am employed by Central Illinois Light Company (CILCO) as Senior Energy Supply Administrator.

Q3: Have you previously submitted testimony in this proceeding?

A3: Yes.

Q4: Please explain the purpose of your surrebuttal testimony.

A4: The purpose of my surrebuttal testimony is to comment on Illinois Power's (IP) rebuttal testimony prepared by Leonard M. Jones and Mark J. Peters, dated September 12, 2000. I'd like to comment specifically on the answer to question 7 beginning on line 115. CILCO does not disagree with the statement "IP does not require the planning reserve for the purposes of providing transmission service to a customer." **if** this statement refers to acquiring point-to-point transmission service. CILCO served two retail customers in IP's territory from December 1999 through May 2000. CILCO delivered electrical energy to these customers via point-to-point transmission. CILCO was not required to point to

a Designated Resource to deliver the energy to this customer. I am aware of no process in place that requires a Designated Resource in order to serve a customer via point-to-point transmission. However, the preferred avenue used to deliver electrical energy to retail customers is Network Integrated Transmission Service (NITS). CILCO has discovered, through experience, different rules in place to serve a customer using NITS. A transmission customer may obtain NITS only after completing a NITS application followed by the signing of NITS Operating and Service Agreements. During the NITS Application process, a RES is required to point to a Designated Resource to serve non-interruptible load.

On June 19, 2000, I attended a meeting at the IP facility located in Decatur, IL. One of the purposes of this meeting was to clarify some of the questions/requirements contained within the IP NITS application. This meeting was attended by several CILCO and IP representatives and Mr. Bob Latham of the Illinois Energy Consortium (IEC). CILCO, by contract, is the RES for the IEC. During this meeting I referred to page 5 of 12, no.9, of the IP NITS for clarification. This section reads as follows:

9. Description of current and 10-year projection of Total Network Resources. MAIN currently suggests a 17 – 20% planning reserve margin of each year's maximum demand projection.

I asked Mr. Shawn Schukar, with IP, if the reason for this statement being included in this application is to indicate that a RES must supply planning

reserves. Mr. Schukar answered by saying that the definition of a Firm Network Resource is a capacity backed resource that is supplying reserves. He said a RES must have a Firm Network Resource to serve non-interruptible customers in IP's territory via NITS. CILCO did not feel compelled to dispute Mr. Schukar's explanation of the requirements since CILCO is fully aware of the North American Electric Reliability Council's (NERC) definition of Firm Electrical Energy. The NERC Glossary of Terms defines Firm Electrical Energy as electrical energy backed by capacity, interruptible only on conditions as agreed upon by contract, system reliability constraints, or emergency conditions and where the supporting reserve is supplied by the seller. I then clarified the 17 – 20% as the level of reserves for long term planning. He concurred. I then asked Mr. Schukar if he agreed that MAIN suggests a 15% level of reserves for short term planning and that since our RES contract with the IEC is for one year or less, would it be acceptable to supply 15% reserves. Mr. Schukar agreed.

As I mentioned earlier, Mr. Bob Latham of the IEC was also in attendance at this meeting. Mr. Latham submitted Requests For Proposal to provide electric supply to the IEC participating members located within IP's territory. The contract was ultimately awarded to Ameren Energy Services. In the Master Power Purchase and Sale Agreement, which was signed Between Ameren Energy and CILCO, "energy supported by capacity and reserves" was required. These reserves were acquired based on

information given to those of us in attendance at the June 19th meeting. Page 5 of 12 of the NITS application that CILCO submitted to IP regarding serving the IEC member schools shows that the Network Resource for this non-interruptible network load includes reserves.

The rebuttal testimony of Mr. Jones and Mr. Peters strongly suggests that IP has changed its position regarding reserves and is prepared to make a statement which clarifies that IP does not require a RES to supply reserves in order to serve a retail customer in IP's territory regardless of the type of transmission the RES may wish to use. This is great news to CILCO given the incremental cost of providing reserves.

In testimony prepared July 7, 2000 by Mr. Jones and Mr. Leonard, lines 161 – 163, they state:

"The market value for On-peak Non Firm Energy for each month is equal to the market value for On-peak Firm Energy for each month divided by 1.15. The factor of 1.15 is related to the minimum planning reserve margin that utilities are directed to have by the North American Reliability Council ("NERC")."

CILCO's understands this statement to mean that to serve a customer with Firm Energy a RES must secure and pay for an additional 15% to cover for reserves. This is an additional cost to serve customers Firm Energy in IP's territory (discounted 15% for Non-firm Energy according to IP's above mentioned proposal) and should be accounted for by increasing the market value.

CILCO would fully support a statement from IP that a RES is not required to provide reserves to serve retail customers in IP's territory regardless of which type of transmission a RES wishes to use. However, if IP would make this statement now, the cost to IEC member participants in IP's territory has already been impacted based on the directions CILCO and the IEC were given.

If IP is not changing its position in its rebuttal testimony and a RES is required to provide reserves to serve retail customers in its territory, CILCO has provided a detailed analysis showing the incremental costs of meeting such a requirement in response to ~~a~~ data request~~s~~ by Commission Staff and IP. The analysis shows the pricing components that make up the total price of energy, capacity, and reserves. Based on a typical commercial and industrial customer load profile for the period of one calendar year, the cost of the energy only piece is $35.12/Mw, the cost of the 15% reserve is $.61/Mw and the cost to acquire capacity is $4.07/Mw.

Q5: Does this conclude you prepared surrebuttal testimony?

A5: Yes, it does.